



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: SEE BELOW

DATE: June 17, 2004

Approved

Date

COUNCIL DISTRICT: 3

**SNI AREA: St. James Square; University;
Josefa/Auzerais;
Burbank/DelMonte**

**SUBJECT: Downtown BID Assessment for FY 2004-05
Applicability to Independent Contractors**

REASON FOR SUPPLEMENTAL

Further review and report on the Downtown Business Improvement District proposed fiscal year 2004-05 fee assessments as they apply to independent contractors prior to the June 22, 2004 public hearing and proposed establishment of annual assessments.

BACKGROUND

The Downtown Business Improvement District ("the BID") was established by the Council in 1988 pursuant to the California Parking and Business Improvement Area Law ("BID Law") to promote the economic revitalization and physical maintenance of the Downtown business district. In 1989, the Council appointed the Downtown Association as the Advisory Board ("Advisory Board") for the BID, to advise the Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments.

Last year the Advisory Board recommended a revision of assessment categories and an increase in assessments that was approved by the City Council on May 27, 2003. Inadvertently, Independent Contractors were dropped as a separate fee category (resulting in some of them being charged at a higher rate as either retail business or as professional services). Because the elimination of the Independent Contractor category was not properly and legally noticed and approved by the City Council, the Independent Contractor category is still technically in effect. Independent Contractors pay \$50 per year; Professional Services business pay \$150 per year; and Retail Businesses pay \$240 per year.

Vice Mayor, Pat Dando, asked at the June 8, 2004 public hearing whether an independent contractor, such as a manicurist leasing a chair in a styling salon would have to pay the assessment separate from the salon. The answer to that question is yes, the manicurist would pay \$50 per year in a BID assessment and the salon would pay \$150.

ANALYSIS

The Downtown BID fee schedule now before the Council does not propose to change any of the categories or fees from last year.

The City Council may either adopt the proposed BID assessment fee schedule or order changes in it. However, if the City Council desires to order changes that increase fees, additional public noticing is required before that action is final. The City Council could reduce the fees without noticing.

PUBLIC OUTREACH

The budget for Fiscal Year 2004-2005 was reviewed and approved by the Advisory Board at a public meeting conducted on April 30, 2004.

The Downtown Association was contacted by staff on June 9 regarding the category of independent contractor. The Downtown Association's Executive Director informed staff that the Association desires to eliminate the Independent Contractor category and assess them at the professional services rate. If the Downtown Association wishes to make this change next year, they will need to send required notices to affected persons and bring the matter to Council for review and approval.

COORDINATION

This memorandum has been coordinated with the Redevelopment Agency General Counsel's Office, Finance-Treasury, and the City Clerk's Office.

COST IMPLICATIONS

The proposed BID budget and assessments do not impact City revenue. BID assessments are restricted for use exclusively by the BID. It is anticipated that a healthy Business Improvement District will encourage growth of the retail community and consequently result in additional business tax and sales tax revenue for the City.

Honorable Mayor and City Council

June 17, 2004

Subject: Downtown BID Assessments for FY 2004-05

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CEQA

CEQA: Exempt, PP03-05-165

PAUL KRUTKO

Director of Economic Development